

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 OPIC-03 AF-06 SAM-01 SP-02 AID-05 EB-07

NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02

LAB-04 SIL-01 DODE-00 PM-04 H-02 L-03 PA-01 PRS-01

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R 261643Z SEP 75

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 4406

INFO AMCONSUL OPORTO

AMEMBASSY BRUSSELS

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E.O. 11652: N/A

TAGS: EIND, PO

SUBJ: ITT DEVELOPMENTS

REF: LISBON 5208

1. RECENT DISCUSSIONS WITH SHERATON MANAGER AND TWO MEMBERS OF STANDARD ELECTRICA (SE) THREE-MAN ADMINISTRATIVE COMMISSION INDICATE THAT BOTH FIRMS WILL BE ABLE PAY SEPTEMBER SALARIES AND THAT DAILY OPERATIONS ARE NORMAL AT HOTEL AND PLANT. WE HAVE INDIRECT INDICATIONS THAT IMPRIMARTE ALSO WILL MEET SALARY BILL, BUT RABOR DOES NOT HAVE CASH AND IS STILL NEGOTIATING WITH BANKING SYSTEM FOR LOAN. NO INFORMATION ON OLIVA.

2. NORMAL DAILY OPERATIONAL RELATIONSHIP BETWEEN ITT EUROPE AND SHERATON AND PORTUGUESE SUBSIDIARIES REMAINS UNCHANGED. SHERATON INTERNATIONAL CONTINUES REFERRAL SERVICE, RAW MATERIALS CONTINUE TO MOVE, VARIOUS PORTUGUESE AND OTHER SUBSIDIARIES STILL COORDINATE OPERATIONS, AND CLOCKS IN LISBON OFFICE STILL SHOW NEW YORK AND BRUSSELS TIME. MAJOR
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DIFFERENCE IS COMPLETE CUT-OFF OF FINANCING OR CREDIT FROM OUT-

SIDE, INCLUDING CREDIT FOR RAW MATERIALS, FOR WHICH SOME ITT SUBSIDIARIES NOW REQUESTING LETTER OF CREDIT. HOWEVER, ITT'S ACTION HAS CREATED GREAT CONFUSION AMONG LOCAL MANAGEMENT AND WORKERS ABOUT EXACT LEGAL STATUS OF ITT COMPANIES IN PORTUGAL. PRIVATE CREDIT INSTITUTIONS ALSO CONFUSED ABOUT STATUS AND AT LEAST ONE HAS REFUSED CREDIT TO STANDARD ELECTRICA.

3. AS FAR AS EMBASSY AWARE THERE ARE NO NEGOTIATIONS NOW TAKING PLACE BETWEEN GOP AND ITT. SE MANAGEMENT STATES IT DOES NOT KNOW ITT INTERNATIONAL'S INTENTIONS AND THUS CAN NOT INITIATE OR RESPOND TO DISCUSSION OF LONG-TERM RESOLUTION OF PROBLEM. ITT HAS NOT RESPONDED CLEARLY TO SE REQUESTS FOR CLARIFICATION OF INTENTIONS AND SE EXECUTIVES MAY GO TO BRUSSELS THIS WEEK. WORKERS OF RECENTLY FORMED INTER-COMPANY WORKERS COMMISSION ADVOCATING OFFICIAL GOP INTERVENTION. ACCORDING ALL SOURCES, THERE HAS BEEN NO OFFICIAL GOP ACTION, EITHER TO NAME MANAGEMENT, PAY SALARIES, OR INTERVENE IN ANY OTHER MANNER. ECON COUNSELOR RECENTLY TOLD BY KNOWLEDGEABLE GOP OFFICIAL THAT GOP INTENDS TO OPEN DISCUSSIONS WITH ITT.

4. THERE HAS BEEN SOME PRESS PLAY DURING PAST WEEK, INCLUDING PATENTLY FALSE STORY BY REPUBLICA THAT GOP HAD GRANTED \$8 MILLION LOAN TO ITT TO KEEP SUBSIDIARIES OPERATING. SHERATON MANAGER ATTRIBUTES STORY TO SOUR GRAPES ON PART OF STILL-ILLEGALLY OCCUPIED REPUBLICA OVER REFUSAL BY GOP OF \$300,000 SUBSIDY TO IT. ACCORDING SE EXECUTIVES, LACK OF PUBLICITY UPON TRANSMITTAL OF AUGUST 22 MEMORANDUM DUE TO WORKERS PLEA TO NEWSPAPERS TO HOLD STORY IN ORDER TO FACILITATE RESOLUTION OF PROBLEMS. (COMMATT SAW MINUTES OF GENERAL WORKERS MEETING WHICH SUBSTANTIATE ABOVE.)

5. SE EXECUTIVES POLITELY ASKED WHETHER EMBASSY COULD REQUEST FROM ITT ACCURATE ASSESSMENT OF ITT'S INTENTIONS WITH REGARD PORTUGUESE SUBSIDIARIES. COMMATT SUGGESTED THAT A REQUEST TO EMBASSY OF THIS NATURE SHOULD PROBABLY COME FROM GOP. CARLUCCI

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